

**KINGSTON TOWN**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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# Kimball & Roberts

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*Richfield, Utah 84701*

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Board  
Kingston Town  
Kingston, Utah 84743

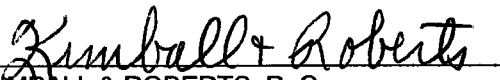
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kingston Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kingston Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kingston Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2006, on our consideration of Kingston Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 41 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

November 7, 2006  
Richfield, Utah

**KINGSTON TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2006**

This discussion of Kingston Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and public improvements, culture and recreation and sanitation.

**Financial Highlights**

- \* The assets of the Town exceeded its liabilities as of the close of the most recent year by \$974,883 (net assets). Of this amount, \$24,419 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- \* The government's total net assets increased by \$412,243. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- \* At the close of the current year, the Town's governmental funds reported ending fund balance of \$70,352, a decrease of \$8,857 in comparison with the prior year.
- \* At the end of the current year, unreserved fund balance for the general fund was a negative \$7,492.
- \* The Town's total debt increased by \$213,844 during the current year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**KINGSTON TOWN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, highways and public improvements, parks and recreation, and sanitation. The business-type activities of the Town are water operations.

Refer to the table of contents for the location of the government-wide financial statements.

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

#### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Kingston Town maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund,

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

#### **Proprietary Funds**

Kingston Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

**KINGSTON TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

**Proprietary Funds - continued.**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provides information for the water fund.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

**Notes To The Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kingston Town, assets exceeded liabilities by \$974,883 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets ( 74 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$24,419, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities except for the Unrestricted Net Assets of the Governmental-Type activities which showed a negative balance of \$7,492.

**KINGSTON TOWN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**Kingston Town's Net Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>
Current and Other Assets	70,352	186,103	256,455
Capital Assets	<u>171,065</u>	<u>974,555</u>	<u>1,145,620</u>
Total Assets	<u>241,417</u>	<u>1,160,658</u>	<u>1,402,075</u>
Long-Term Liabilities	-	260,195	60,524
Other Liabilities	<u>-</u>	<u>166,997</u>	<u>1,694</u>
Total Liabilities	<u>-</u>	<u>427,192</u>	<u>62,218</u>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	171,065	547,023	718,088
Restricted	77,844	154,532	232,376
Unrestricted	<u>(7,492)</u>	<u>31,911</u>	<u>24,419</u>
Total Net Assets	<u>241,417</u>	<u>733,466</u>	<u>974,883</u>

**Governmental Activities**

Governmental activities decreased Kingston Town's net assets by \$26,037.

**KINGSTON TOWN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**Kingston Town's Changes In Net Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	400	31,370	31,770
Operating Grants	34,704	-	14,756
Capital Grants	-	430,000	48,332
<b>General Revenues:</b>			
Property Taxes	7,313	-	7,313
Other Taxes	11,141	-	11,141
Unrestricted Investment Earnings	<u>737</u>	<u>11,235</u>	<u>11,972</u>
<b>Total Revenues</b>	<u>54,295</u>	<u>472,605</u>	<u>125,284</u>
<b>Expenses:</b>			
General Government	38,217	-	38,217
Public Safety	17,616	-	17,616
Highways and Public Improvements	16,085	-	16,085
Culture and Recreation	3,943	-	3,943
Sanitation	4,471	-	4,471
Interest on Long-Term Debt	-	1,783	1,783
Water Operations	<u>-</u>	<u>32,542</u>	<u>32,542</u>
<b>Total Expenses</b>	<u>80,332</u>	<u>34,325</u>	<u>114,657</u>
<b>Increase in Net Assets   Before Transfers</b>	(26,037)	438,280	10,627
<b>Transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase in Net Assets</b>	(26,037)	438,280	412,243
<b>Net Assets - Beginning</b>	<u>267,454</u>	<u>295,186</u>	<u>562,640</u>
<b>Net Total Net Assets</b>	<u>241,417</u>	<u>733,466</u>	<u>974,883</u>



**KINGSTON TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

- \* The Town received operating grants of \$34,704. Of this amount, \$15,730 was received for Class C Roads and \$48 for liquor law.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

**Business-Type Activities**

Business-type activities increased the Town's net assets by \$438,280. No operating grants were received. Capital grants of \$430,000 were received for the Water Project.

- \* The total increase in the business-type activities costs for the water fund is attributed to increased operating costs.
- \* The depreciation in the enterprise fund increased due to depreciation on the new water system improvements .

**Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental fund (general fund) reported ending fund balances of \$70,352, a decrease of \$8,857 in comparison with the prior year. Approximately 0 percent of this negative amount (\$7,492) constitutes *unreserved fund balance*. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to Class C Roads for \$77,844.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0 percent of total general fund expenditures, while total fund balance represents 111 percent of that same amount.

**Proprietary Funds**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year was a positive \$31,911.

**KINGSTON TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

**General Fund Budgetary Highlights**

There were no differences between the original budget and the final amended budget.

Actual revenues were more than budgeted revenues by \$6,795 and actual expenditures were more than budgeted expenditures by \$15,652 resulting in a net decrease in fund balance of \$8,857.

**Capital Asset and Debt Administration**

**Capital Assets**

Kingston Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$171,065 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and infrastructure, which includes roads and highways.

The town made an investment in capital assets in its business-type activities during the year of \$653,880.

The Town was not required to have an MD&A last year so a two year comparison is not shown.

**Kingston Town's Capital Assets  
(net of depreciation)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>
Land	9,800	1,000	10,800
Water Shares		-	-
Infrastructure	86,625	-	86,625
Buildings	45,800	-	45,800
Improvements Other than Buildings	-	973,555	973,555
Equipment	<u>28,840</u>		<u>28,840</u>
Total	<u>171,065</u>	<u>974,555</u>	<u>1,145,620</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements.

**KINGSTON TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

**Long -Term Debt**

At the end of the current year, the Town had total bonded debt outstanding of \$270,652. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Kingston Town's Long-Term Debt**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>
Revenue Bonds	<u>-</u>	<u>270,652</u>	<u>270,652</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

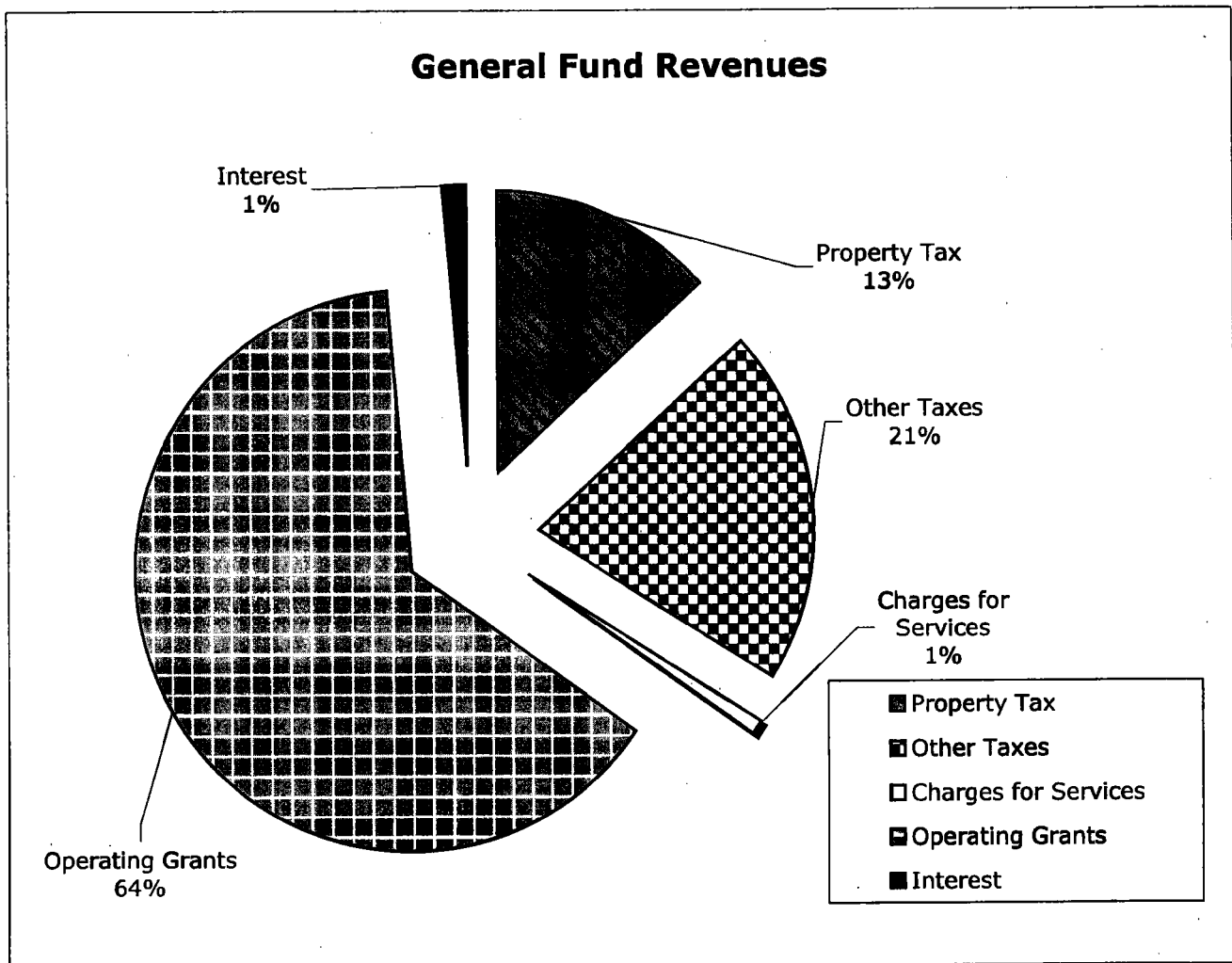
Additional information on Kingston Town's long-term debt can be found in the notes of the financial statements.

**Request for Information**

This financial report is designed to provide a general overview of Kingston Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Kingston Town Clerk, P.O. Box 415, Kingston, Utah, 84743.

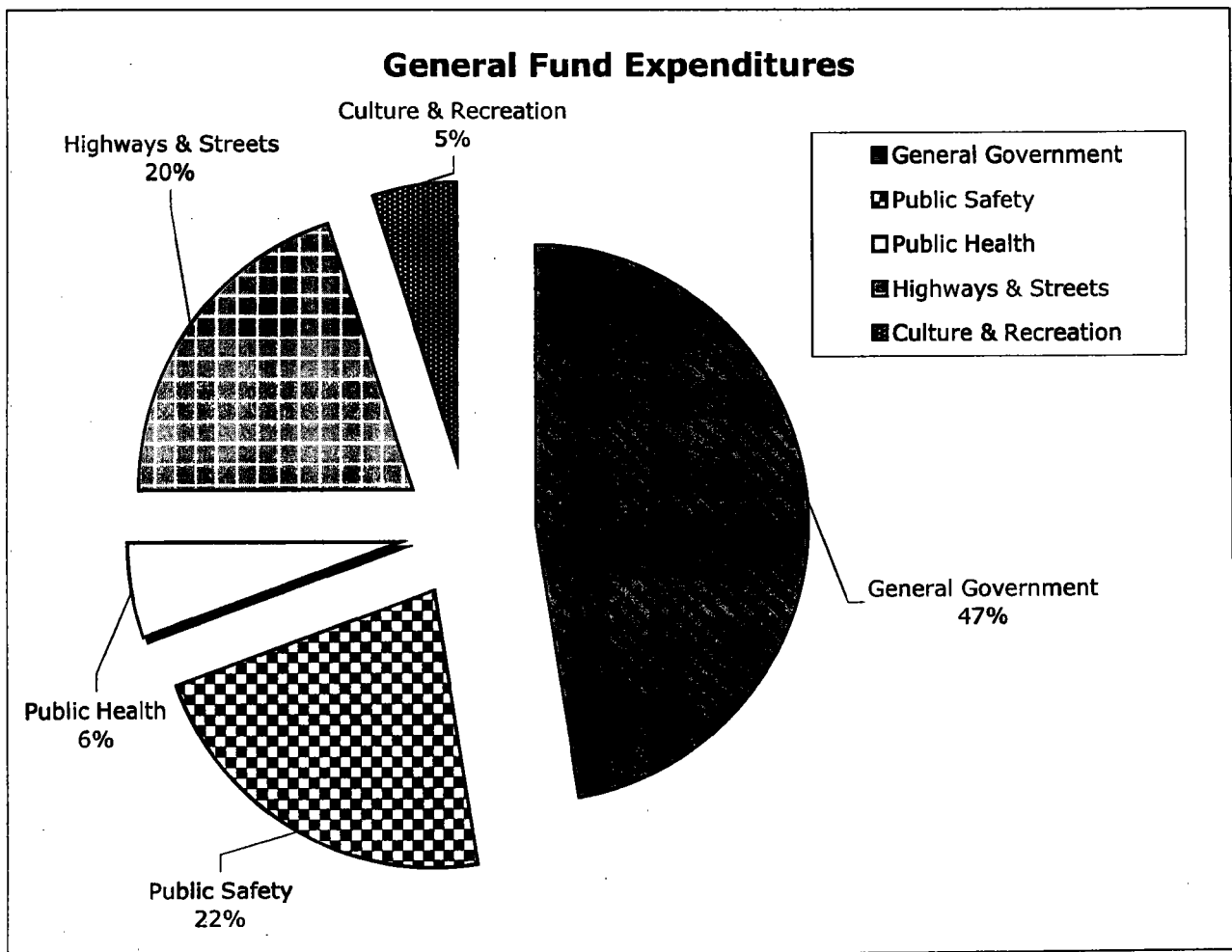
**Kingston Town  
General Fund Revenues  
For The Fiscal Year Ended June 30, 2006**

Property Tax	7,313
Other Taxes	11,141
Charges for Services	400
Operating Grants	34,704
Interest	737
	<hr/>
Total	<u>54,295</u>



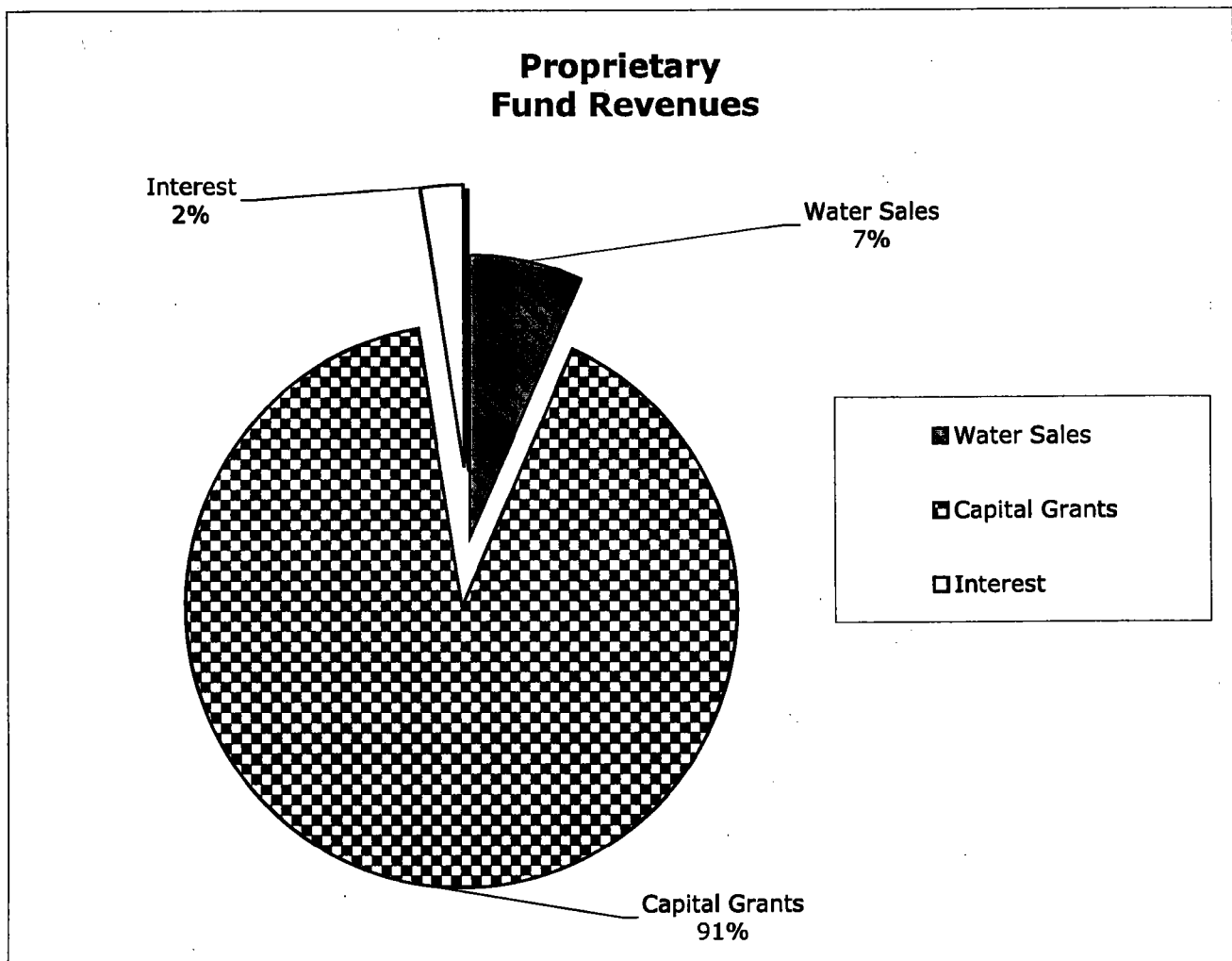
**Kingston Town  
General Fund Expenditures  
For The Fiscal Year Ended June 30, 2006**

General Government	38,217
Public Safety	17,616
Public Health	4,471
Highways & Streets	16,085
Culture & Recreation	<u>3,943</u>
Total	<u><u>80,332</u></u>



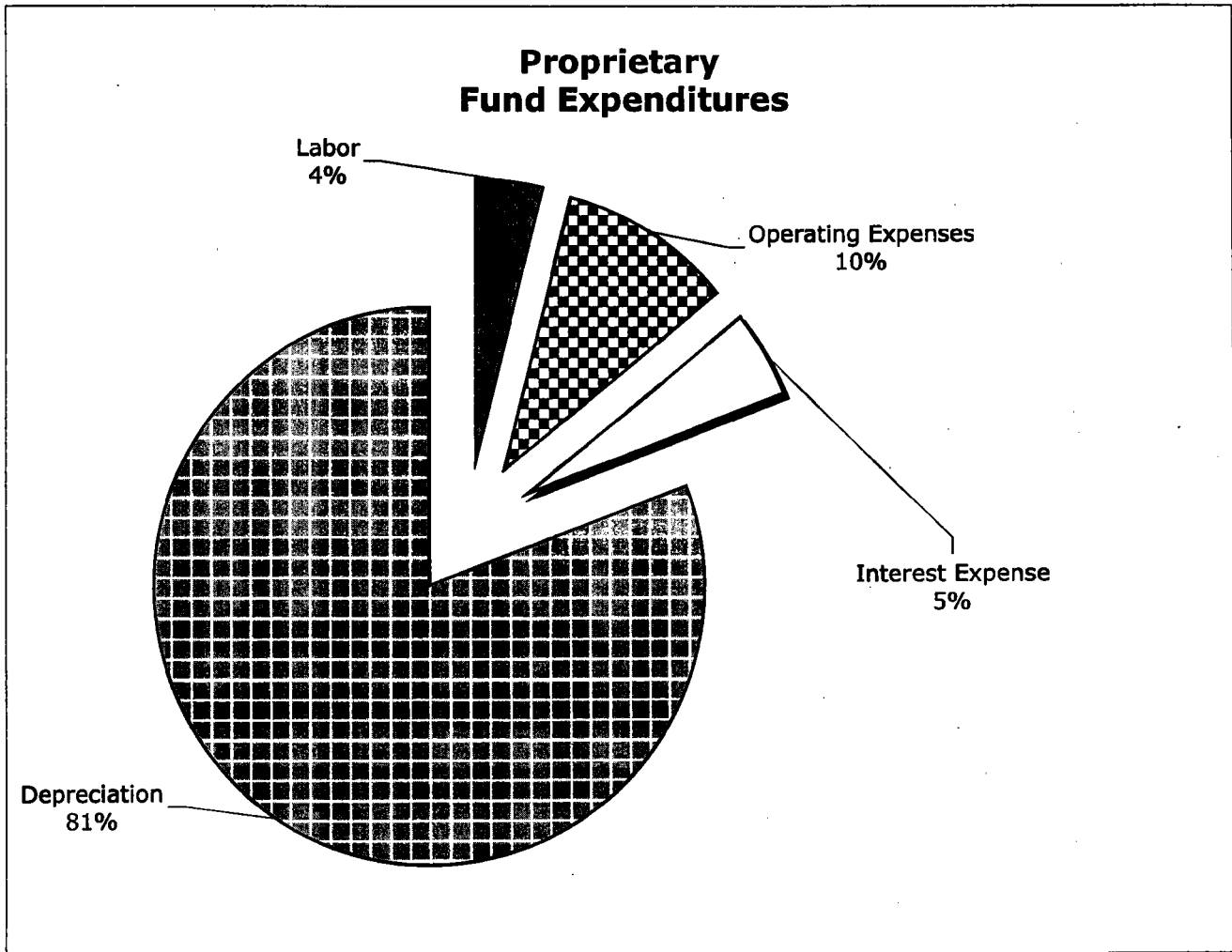
**Kingston Town  
Proprietary Fund Revenues  
For The Fiscal Year Ended June 30, 2006**

Water Sales	31,370
Capital Grants	430,000
Interest	<u>11,235</u>
Total	<u><u>472,605</u></u>



**Kingston Town  
Proprietary Fund Expenditures  
For The Fiscal Year Ended June 30, 2006**

Labor	1,358
Operating Expenses	3,484
Interest Expense	1,783
Depreciation	<u>27,700</u>
Total	<u><u>34,325</u></u>



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## **BASIC FINANCIAL STATEMENTS**

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**KINGSTON TOWN  
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	67,535	22,374	89,909
Accounts Receivable (Net)	-	1,322	1,322
Due from Other Governmental Units	2,817	7,875	10,692
Total Current Assets	70,352	31,571	101,923
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	154,532	154,532
Capital Assets (Net of Accumulated Depreciation):			
Land	9,800	1,000	10,800
Buildings	45,800	-	45,800
Improvements Other Than Buildings	-	973,555	973,555
Equipment	28,840	-	28,840
Infrastructure	86,625	-	86,625
Total Noncurrent Assets	171,065	1,129,087	1,300,152
<b>TOTAL ASSETS</b>	<b>241,417</b>	<b>1,160,658</b>	<b>1,402,075</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	-	135,090	135,090
Retention Payable	-	20,790	20,790
Bond Interest Payable	-	660	660
Revenue Bonds Payable - Due Within One Year	-	10,457	10,457
Total Current Liabilities	-	166,997	166,997
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	260,195	260,195
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>427,192</b>	<b>427,192</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Debt	171,065	547,023	718,088
Restricted For:			
Bond Retirement	-	3,500	3,500
Capital Outlay	-	151,032	151,032
Class C Road	77,844	-	77,844
Unrestricted	(7,492)	31,911	24,419
<b>TOTAL NET ASSETS</b>	<b>241,417</b>	<b>733,466</b>	<b>974,883</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>241,417</b>	<b>1,160,658</b>	<b>1,402,075</b>

The noted to the financial statements are an integral part of this statement.

**KINGSTON TOWN  
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants/Capital Grants/Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>					
General Government	38,217	400	18,926	-	(18,891)
Public Safety	17,616	-	48	-	(17,568)
Public Health	4,471	-	-	-	(4,471)
Highways and Streets	16,085	-	15,730	-	(355)
Culture and Recreation	3,943	-	-	-	(3,943)
Interest on Debt	-	-	-	(1,783)	(1,783)
<b>Total Governmental Activities</b>	<b>80,332</b>	<b>400</b>	<b>34,704</b>	<b>(1,783)</b>	<b>(47,011)</b>
<b>Business-Type Activities:</b>					
Water Fund	32,542	31,370	-	428,828	428,828
<b>Total Primary Government</b>	<b>112,874</b>	<b>31,770</b>	<b>34,704</b>	<b>427,045</b>	<b>381,817</b>
<b>General Revenues:</b>					
Property Taxes			7,313	-	7,313
Fee-In-Lieu of Property Taxes			778	-	778
Sales Taxes			10,363	-	10,363
Unrestricted Investment Earnings			737	11,235	11,972
<b>Total General Revenues and Transfers</b>			<b>19,191</b>	<b>11,235</b>	<b>30,426</b>
<b>Change in Net Assets</b>			<b>(26,037)</b>	<b>438,280</b>	<b>412,243</b>
<b>Net Assets - Beginning</b>			<b>267,454</b>	<b>295,186</b>	<b>562,640</b>
<b>Net Assets - Ending</b>			<b>241,417</b>	<b>733,466</b>	<b>974,883</b>

The noted to the financial statements are an integral part of this statement.

**KINGSTON TOWN  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	67,535
Due From Other Governmental Units	<u>2,817</u>
<b>TOTAL ASSETS</b>	<u><u>70,352</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	<u>-</u>
Fund Balances:	
Reserved For:	
Class C Road	77,844
Unreserved, Reported In:	
General Fund	<u>(7,492)</u>
<b>Total Fund Balance</b>	<u><u>70,352</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>70,352</u></u>

The noted to the financial statements are an integral part of this statement.

**KINGSTON TOWN**  
**BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**June 30, 2006**

Total Fund Balances - Governmental Fund Types	70,352
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	9,800	
Buildings	45,800	
Equipment	28,840	
Infrastructure	<u>86,625</u>	

Total		<u>171,065</u>
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Net Assets of Government Activities	<u><u>241,417</u></u>
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**KINGSTON TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

	<u>General Fund</u>
<b>Revenues:</b>	
Taxes	18,454
Intergovernmental Revenue	34,704
Interest	737
Miscellaneous Revenues	<u>400</u>
Total Revenues	<u>54,295</u>
<b>Expenditures:</b>	
Current:	
General Government	38,217
Public Safety	16,416
Public Health	4,471
Highways and Streets	105
Capital Outlay	<u>3,943</u>
Total Expenditures	<u>63,152</u>
Net Change In Fund Balance	(8,857)
Fund Balance - Beginning	<u>79,209</u>
Fund Balance - Ending	<u><u>70,352</u></u>

The noted to the financial statements are an integral part of this statement.

**KINGSTON TOWN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities  
are different because:

Net Changes in Fund Balances - Total Governmental Funds	(8,857)
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Governmental funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense. This is the  
amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	<u>(17,180)</u>
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Changes In Net Assets of Governmental Activities	<u><u>(26,037)</u></u>
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**KINGSTON TOWN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

**June 30, 2006**

	<u>Business-Type Activity Enterprise</u>
	<u>Water Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash in Bank	173,406
Accounts Receivable (Net)	1,322
Grants Receivable	7,875
Total Current Assets	<u>182,603</u>
Noncurrent Assets:	
Investments - Restricted:	
Bond Retirement	3,500
Capital Assets: (Net of Accumulated Depreciation)	
Land	1,000
Water System	973,555
Total Noncurrent Assets	<u>978,055</u>
TOTAL ASSETS	<u><u>1,160,658</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	155,880
Bond Interest Payable	660
Bonds Payable - Current Portion	10,457
Total Current Liabilities	<u>166,997</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	260,195
TOTAL LIABILITIES	<u>427,192</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	547,023
Restricted for:	
Bonded Retirement	3,500
Capital Outlay	151,032
Unrestricted	31,911
TOTAL NET ASSETS	<u>733,466</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,160,658</u></u>

The noted to the financial statements are an integral part of this statement.



**KINGSTON TOWN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2006

	Business-Type Activity Enterprise
	<u>Water Fund</u>
<b>Operating Revenues:</b>	
Charges for Sales and Services:	
Water Fees	28,406
Other	<u>2,964</u>
Total Operating Revenues	<u>31,370</u>
<b>Operating Expenses:</b>	
Salaries and Labor	1,358
Materials and Supplies	3,266
Utilities	218
Depreciation	<u>27,700</u>
Total Operating Expenses	<u>32,542</u>
Operating Income	<u>(1,172)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Investment Earnings	11,235
Capital Grants	430,000
Interest Expense	<u>(1,783)</u>
Total Nonoperating Revenues (Expenses)	<u>439,452</u>
Change in Net Assets	438,280
Total Net Assets - Beginning	<u>295,186</u>
Total Net Assets - Ending	<u><u>733,466</u></u>

The notes to the financial statements are an integral part of this statement.

**KINGSTON TOWN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

**For the Fiscal Year Ended June 30, 2006**

	Business-Type Activity Enterprise
	<u>Water Fund</u>
<b>Cash Flows From Operating Activities:</b>	
Receipts From Customers	31,048
Payments to Suppliers	(3,484)
Payments to Employees	<u>(1,358)</u>
Net Cash Provided by Operating Activities	<u>26,206</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Principal Paid on Capital Debt	(3,156)
Interest Paid on Capital Debt	(1,823)
Bond Proceeds	217,000
Capital Outlay - Water System	(498,000)
Capital Grants	<u>422,125</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>136,146</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Received	<u>11,235</u>
Net Cash Provided (Used) by Investing Activities	<u>11,235</u>
Net Increase (Decrease) in Cash and Cash Equivalents	173,587
Cash and Cash Equivalents - Beginning	<u>3,319</u>
Cash and Cash Equivalents - Ending	<u><u>176,906</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income	<u>(1,172)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	27,700
Increase (Decrease) in Operating Assets:	
Accounts Receivable	<u>(322)</u>
Total Adjustments	<u>27,378</u>
Net Cash Provided (Used) by Operating Activities	<u><u>26,206</u></u>

The notes to the financial statements are an integral part of this statement.

**KINGSTON TOWN  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Kingston Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

**A. Reporting Entity**

Kingston Town is a municipal corporation in Piute County, Utah. It is governed by an elected Mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Kingston Town, the reporting entity. The Town has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**  
**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Kingston Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensati

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Water System	40 Years
Well Improvements	40 Years

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts and bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. Budgets and Budgetary Accounting:**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**G. Property Taxes**

Property taxes are assessed and collected for the Town by Piute County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

**Deposits:**

At year-end, the carrying amount of the Town's deposits was \$93,409 and the bank balance was \$93,434. All of the bank balance was covered by federal depository insurance. Utah state statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	93,409
Investments - PTIF	<u>151,032</u>
Total Cash and Investments	<u><u>244,441</u></u>

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	67,535
Business-Type Activities - Unrestricted	22,374
Business-Type Activities - Restricted	<u>154,532</u>
Total Cash and Cash Equivalents	<u><u>244,441</u></u>

Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.



**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk:**

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$93,434 were uninsured and uncollateralized.

**Credit Risk:**

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$151,032 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Concentration of Credit Risk:**

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 3 - BOND RESERVES**

Kingston Town is required to reserve \$66.67 a month, until a balance of \$800.00 is reached, for emergency repair and replacement. The Town is also required to reserve \$33.33 a month, until a balance of \$2,650.00 is reached, as a bond payment reserve. The balance at June 30, 2006, was \$3,500.00.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	1,000	-	-	1,000
Land Related to Infrastructure	8,800	-	-	8,800
 Total Capital Assets Not Being Depreciated	 9,800	 -	 -	 9,800
Capital Assets Being Depreciated:				
Buildings	50,000	-	-	50,000
Equipment	36,050	-	-	36,050
Infrastructure	247,500	-	-	247,500
 Total Capital Assets Being Depreciated	 333,550	 -	 -	 333,550
Less Accumulated Depreciation For:				
Buildings	3,000	1,200	-	4,200
Equipment	3,605	3,605	-	7,210
Infrastructure	148,500	12,375	-	160,875
 Total Accumulated Depreciation	 155,105	 17,180	 -	 172,285
 Total Capital Assets Being Depreciated (Net)	 178,445	 (17,180)	 -	 161,265
 Governmental Activities Capital Assets, Net	 188,245	 (17,180)	 -	 171,065

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total Capital Assets Not Being Depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital Assets Being Depreciated:				
Water System	40,000	-	-	40,000
Well Improvements	130,000	-	-	130,000
New Tank and Well	284,000	-	-	284,000
New Water System	<u>-</u>	<u>653,880</u>	<u>-</u>	<u>653,880</u>
Total Capital Assets Being Depreciated	<u>454,000</u>	<u>653,880</u>	<u>-</u>	<u>1,107,880</u>
Less Accumulated Depreciation For:				
Water System	32,000	1,000	-	33,000
Well Improvements	39,000	3,250	-	42,250
New Tank and Well	35,625	7,100	-	42,725
New Water System	<u>-</u>	<u>16,350</u>	<u>-</u>	<u>16,350</u>
Total Accumulated Depreciation	<u>106,625</u>	<u>27,700</u>	<u>-</u>	<u>134,325</u>
Total Capital Assets Being Depreciated (Net)	<u>347,375</u>	<u>626,180</u>	<u>-</u>	<u>973,555</u>
Business Type Activities Capital Assets, Net	<u>348,375</u>	<u>626,180</u>	<u>-</u>	<u>974,555</u>
Total Capital Assets	<u>536,620</u>	<u>609,000</u>	<u>-</u>	<u>1,145,620</u>

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
Continued

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Public Safety	1,200	-	1,200
Public Health	-	27,700	27,700
Highways and Streets	15,980	-	15,980
Total Depreciation Expense	<u>17,180</u>	<u>27,700</u>	<u>44,880</u>

**NOTE 5 - BONDS PAYABLE**

The Water Revenue Bond, dated 1973 and bearing an interest rate of 5%, is paid from water revenues. The balance at June 30, 2006 was \$13,000. A summary of debt service charges to maturity follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 - 2007	1,500	650	2,150
2007 - 2008	1,500	575	2,075
2008 - 2009	2,000	500	2,500
2009 - 2010	2,000	400	2,400
2010 - 2011	2,000	300	2,300
2012 - 2016	4,000	300	4,300
Total	<u>13,000</u>	<u>2,725</u>	<u>15,725</u>

During the 2000 year the Town secured financing for the purpose of improving the water system by the construction of a new water tank. The financing arranged by the Town included a grant from the Community Impact Board of \$226,000 and a loan from the Community Impact Board in the amount of \$50,000. The loan requires annual payments of \$2,713.80 including interest at 2.5%. A summary of debt service charges to maturity follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 - 2007	1,698	1,016	2,714
2007 - 2008	1,740	974	2,714
2008 - 2009	1,784	930	2,714
2009 - 2010	1,828	886	2,714
2010 - 2011	1,874	840	2,714
2012 - 2016	10,096	3,473	13,569
2017 - 2021	11,422	2,147	13,569
2022 - 2026	10,210	646	10,856
Total	<u>40,652</u>	<u>10,912</u>	<u>51,564</u>

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 5 - BONDS PAYABLE (CONTINUED)**  
**2005 - 2006 Water Project:**

During 2005-2006 Kingston Town approved the construction of improvements to the Town's water system. Funding for the project was as follows:

Community Impact Board Grant	320,000
Community Impact Board Loan	180,000
Rural Development Grant	110,000
Rural Development Loan	37,000
Kingston Town Contribution	<u>30,000</u>
	<u><u>677,000</u></u>

**CIB Water Revenue Bond:**

During August of 2005, Kingston Town authorized the issuance of a Parity Water Revenue Bond, Series 2004A, in the amount of \$180,000 for the purpose of providing funds to finance part of the cost of acquiring, constructing, improving and extending the culinary water system of Kingston Town. The bonds require yearly payments including interest at 2.5% beginning January 1, 2007. The following is a schedule of debt service payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 - 2007	7,000	4,500	11,500
2007 - 2008	7,000	4,325	11,325
2008 - 2009	7,000	4,150	11,150
2009 - 2010	8,000	3,975	11,975
2010 - 2011	8,000	3,775	11,775
2012 - 2016	42,000	15,850	57,850
2017 - 2021	47,000	10,350	57,350
2022 - 2026	<u>54,000</u>	<u>4,100</u>	<u>58,100</u>
Total	<u><u>180,000</u></u>	<u><u>51,025</u></u>	<u><u>231,025</u></u>

**USDA - Rural Development Loan:**

During August of 2005, Kingston Town authorized the issuance of a Parity Water Revenue Bond, Series 2004B, in the amount of \$37,000 for the purpose of improving the Town's Water System. The bonds require monthly payments of \$163 including interest at 4.25%. The loan is payable over 40 years and payments began in November of 2005. The following is a schedule of debt service payments to maturity:

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
Continued

**NOTE 5 - BONDS PAYABLE (CONTINUED)**

A summary of debt service charges to maturity follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 - 2007	259	1,045	1,304
2007 - 2008	402	1,554	1,956
2008 - 2009	420	1,536	1,956
2009 - 2010	438	1,518	1,956
2010 - 2011	457	1,499	1,956
2012 - 2016	2,600	7,180	9,780
2017 - 2021	3,213	6,567	9,780
2022 - 2026	3,973	5,807	9,780
2027 - 2031	4,911	4,869	9,780
2032 - 2036	6,072	3,708	9,780
2037 - 2041	7,507	2,273	9,780
2042 - 2066	<u>6,748</u>	<u>1,871</u>	<u>8,619</u>
Total	<u>37,000</u>	<u>39,427</u>	<u>76,427</u>

The following is a summary of total bonds payable to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 - 2007	10,457	7,821	18,278
2007 - 2008	10,642	7,384	18,026
2008 - 2009	11,204	7,072	18,276
2009 - 2010	12,266	6,733	18,999
2010 - 2011	12,331	6,367	18,698
2012 - 2016	58,696	26,551	85,247
2017 - 2021	61,635	18,778	80,413
2022 - 2026	68,183	10,104	78,287
2027 - 2031	4,911	4,869	9,780
2032 - 2036	6,072	3,708	9,780
2037 - 2041	7,507	2,273	9,780
2042 - 2066	<u>6,748</u>	<u>1,871</u>	<u>8,619</u>
Total	<u>270,652</u>	<u>103,531</u>	<u>374,183</u>

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 5 - BONDS PAYABLE (CONTINUED)**

Changes in bonds payable at June 30, 2006, are as follows:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Water Revenue Bonds FHA	1973	5.0%	22,000	14,500	-	1,500	13,000
Water Revenue Bonds CIB	2000	2.5%	50,000	42,308	-	1,656	40,652
Water Revenue Bonds CIB	2006	2.5%	180,000	-	180,000	-	180,000
Water Revenue Bonds Rural Development	2006	4.3%	37,000	-	37,000	-	37,000
Total			<u>289,000</u>	<u>56,808</u>	<u>217,000</u>	<u>3,156</u>	<u>270,652</u>

**KINGSTON TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 6 - CLASS C ROADS**

The following is a schedule of receipts and disbursements in Class C Roads:

Fund Balance - Beginning of Year		61,826
Receipts:		
State Allotments	15,530	
Interest	<u>593</u>	
Total Receipts		16,123
Disbursements		<u>(105)</u>
Fund Balance - End of Year		<u><u>77,844</u></u>

**NOTE 7 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust. The insurance coverages are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

**Liability:**

The Town is insured for \$1,000,000 combined single limit with a \$500 deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$1,000,000 aggregate each policy period with a \$500 deductible each accident.

**Property:**

All of the property coverage is insured through a commercial insurance carrier. Buildings and equipment are covered based on replacement costs subject to a \$500 deductible.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.



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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**KINGSTON TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	7,800	7,800	7,313	(487)
General Sales and Use Taxes	8,500	8,500	10,363	1,863
Fee-In-Lieu	1,000	1,000	778	(222)
<b>Total Taxes</b>	<u>17,300</u>	<u>17,300</u>	<u>18,454</u>	<u>1,154</u>
<b>Intergovernmental Revenue:</b>				
Class C Road	13,500	13,500	15,730	2,230
State Liquor Allotment	40	40	48	8
State Grants	-	-	18,926	18,926
<b>Total Intergovernmental Revenue</b>	<u>13,540</u>	<u>13,540</u>	<u>34,704</u>	<u>21,164</u>
<b>Charges for Services:</b>				
Other	500	500	-	(500)
<b>Miscellaneous Revenue:</b>				
Interest	250	250	737	487
Other	-	-	400	400
Use of Fund Balance	15,910	15,910	-	(15,910)
<b>Total Miscellaneous Revenue</b>	<u>16,160</u>	<u>16,160</u>	<u>1,137</u>	<u>(15,023)</u>
<b>Total Revenues</b>	<u>47,500</u>	<u>47,500</u>	<u>54,295</u>	<u>6,795</u>

**KINGSTON TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
General Government:				
Administration	12,000	12,000	38,217	(26,217)
Capital Outlay	2,500	2,500	-	2,500
Total General Government	14,500	14,500	38,217	(23,717)
Public Safety:				
Fire	3,000	3,000	16,416	(13,416)
Highway and Public Improvements:				
Class C Roads	20,000	20,000	105	19,895
Sanitation:				
Landfill	7,000	7,000	4,471	2,529
Culture and Recreation:				
Parks	3,000	3,000	3,943	(943)
Total Expenditures	47,500	47,500	63,152	(15,652)
Excess of Revenues Over (Under) Expenditures	-	-	(8,857)	(8,857)
Fund Balance - Beginning	79,209	79,209	79,209	-
Fund Balance - Ending	<u>79,209</u>	<u>79,209</u>	<u>70,352</u>	<u>(8,857)</u>

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## **COMPLIANCE SECTION**

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# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Board  
Kingston Town  
Kingston, Utah 84743

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kingston Town as and for the year ended June 30, 2006, which collectively comprise Kingston Town's basic financial statements and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kingston Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kingston Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Kingston Town in a separate letter dated November 7, 2006.

Honorable Mayor and Town Board  
Kingston Town  
Page -2-

This report is intended solely for the information and use of the management and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

November 7, 2006  
Richfield, Utah

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Board  
Kingston Town  
Kingston, Utah 84743

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kingston Town, for the year ended June 30, 2006, and have issued our report thereon dated November 7, 2006. As part of our audit, we have audited Kingston Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Kingston Town's financial statements.)

CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements


The management of Kingston Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and Town Board  
Kingston Town  
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Kingston Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

November 7, 2006  
Richfield, Utah



**KINGSTON TOWN  
MANAGEMENT LETTER  
JUNE 30, 2006**

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## **FINDINGS AND RECOMMENDATIONS**

Honorable Mayor and Town Board  
Kingston Town  
Kingston, Utah 84743

During our audit of the funds of Kingston Town for the fiscal year ended June 30, 2006, we noted certain areas needing corrective action in order for the Town to be in compliance with state laws and regulations. These items are discussed below for your consideration.

### **COMPLIANCE:**

#### **Cash Management**

Utah Code 51-4-2(2) requires that all public funds be deposited daily, whenever practicable, but no later than three days after receipt.

#### **Finding:**

During our tests of cash receipts we noted that receipts are not always deposited within three business days of receipt.

#### **Recommendation:**

We recommend that the Town deposit all public funds within three days of receipt.

#### **Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

#### **Budgetary Compliance**

State law states that officers and employees of a Town shall not incur expenditures in excess of the total appropriation for any department in the General Fund.

#### **Finding:**

The expenditures in General Government, Culture and Recreation and Fire departments exceeded the budgeted amounts.

**Recommendation:**

We recommend that when anticipated expenditures are going to exceed the budget in any department and the total budget has not been expended, the board and mayor should, by resolution, reallocate the budget to those departments that may exceed the original budget and reduce the departments that will not exceed the budget.

**Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

**Fund Balance**

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution, Section XIV(3).

**Finding:**

We noted during the audit that the unreserved fund balance in the General Fund is in a deficit position of \$7,492.

**Recommendation:**

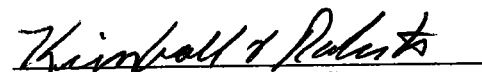
We recommend that the Town budget the deficit to be made up in the following fiscal year by budgeting less expenditures in the General Fund than the anticipated revenues by at least \$7,492.

**Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Kingston Town's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,

  
KIMBALL & ROBERTS  
Certified Public Accountants

November 7, 2006  
Richfield, Utah

# Kingston Town

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40 W. 100 S. P.O. Box 365 Kingston, UT 84743 435.577.2270

May 22, 2007

MacRay Curtis  
Director, Local Government Division  
Office of the State Auditor  
P.O. Box 142310  
Salt Lake City, UT 84114-2310

Dear Director Curtis:

In response to your letter dated March 7, 2007 we apologize for the lateness of the Town's response. It seems that we did not receive the original letter, only the memorandum dated April 26, 2007 reminding us we were late responding.

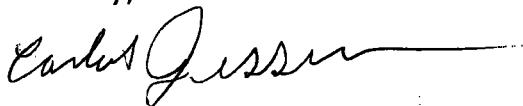
The Town of Kingston submits the following corrective action plan to the item of failing to comply with State laws regarding budgetary compliance. It seems that the Town's noncompliance centers around lack of budget changes when necessity requires. Our large unbudgeted expenditures were unforeseen, yet due to ignorance or forgetfulness, we neglected to schedule a public hearing and request changes to the budget which could then be approved appropriately.

For the future, we commit to the following:

1. Track the Town's account expenditures monthly and ensure in a timely manner that the established budget is not being exceeded.
2. When large unforeseen expenditures exceed the budget allotted, a public hearing will be held and approval for the expenditures will be obtained appropriately.
3. Establish our current financial condition before May 30, 2007 and take the appropriate steps to ensure compliance with the established budget for fiscal year July 1, 2006 – June 30, 2007.

We appreciate your patience as we strive to learn what is necessary and we especially appreciate Richard Moon for his guidance and instruction.

Sincerely,



Carlos Jessen  
Mayor



Leesa Tenney  
Town Clerk